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## **Governor's Office of Highway Safety 46627**

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**Purchasing Card Program  
Final Report  
June 4, 2009**

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## **Executive Summary**

### **Governor's Office of Highway Safety**

#### **46627**

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**This version of the report incorporates the Agency's responses to certain points and the Process Improvement Audit Team's responses. In the following pages:**

- **Governor's Office of Highway responses are shown in green font.**
- **Revisions to the Draft Summary report and State Purchasing Division responses are shown in blue font.**

### **Purpose and Objectives**

The Process Improvement Team from the Department of Administrative Services (DOAS), State Purchasing Division, has conducted a process improvement review of the purchasing card program at the Governor's Office of Highway Safety (GOHS) for the period July 1, 2006, through June 30, 2007. This review had the following purposes:

1. To determine if purchasing card activities complied with the Statewide Purchasing Card Contract Guide and Agency policies and procedures;
2. To identify areas of outstanding program administration;
3. To identify areas of risk to the Agency and/or to the State; and
4. To develop action plans for improvement of the program as implemented at the Agency, if warranted.

Each State organization has a responsibility to ensure that their purchasing card activities are controlled and that their risks are prudently and soundly managed. It is the responsibility of the Process Improvement Team within the State Purchasing Division to assess use of and controls on the program. The Process Improvement Team uses a risk-based approach to classify areas in need of improvement into pre-defined high, medium, and low risk areas. This report discusses only the high and medium risk areas and summarizes the results of the review. The report also recognizes areas of outstanding program management, and presents recommendations for improvements as well as mitigation strategies to implement improvements.

### **Scope and Methodology**

The evaluation of the State Purchasing Card Program as implemented at GOHS included the following: a review of the Agency's purchasing card policy; a review of the transaction data; conversations with personnel involved in the day-to-day operations of the program; and an on-site review of the documentation for all transactions.

The review consisted of two program areas:

1. Internal Controls Review – an examination of the Agency's purchasing card policy and internal controls over the program
2. On-Site Review to determine if:
  - a. The Agency maintained adequate documentation for all transactions.
  - b. Management oversight of card activity, including supervisory review, and met minimum requirements as outlined in the State Purchasing Card Contract Guide.
  - c. Cardholders complied with transaction limits imposed on the cards.

- d. Transactions complied with requirements of the Official Code of Georgia, Annotated, (O.C.G.A.); the State Purchasing Card Contract Guide, the State purchasing card policy in place at the time; and Agency policy with respect to types of purchases allowed on the card.
- e. Employees complied with the Agency's internal policy for use of the card.

## Acknowledgements

The Process Improvement Team would like to thank Mr. Robert Griffin, Director of Finance and Budget, and Denora Young, Card Program Administrator, for their assistance during this review.

**RESPONSE:** The Governors' Office of Highway Safety would like to express our thanks to the Department of Administrative Services for working with us in completing the process improvement review of our 2006 – 2007 procurement procedures; both related to our P-Card purchases and compliance with state purchasing policies. We take great pride in not only working to provide Georgians with safer roads but also working together with all state agencies to make our processes work as smoothly and as efficiently as possible. The process improvement team has been very productive in helping us to work through areas that needed assistance; helping to align our internal controls that will mitigate risk factors that could lead to fraud, waste and abuse. We are confident that the changes initiated in this review will help to assure these risk factors are minimized.

P-Cards are inherently by nature the most risky transactions involving State Funds. As an agency, we want to mitigate as many factors as possible to limit this risk and get the maximum value out of the use of the cards. The cards allow us to perform operational activities on small transactions quickly. That is the primary benefit of the cards. We want our system to be effective but recognize GOHS is a small office that includes 29 people, 4 of which are allowed to use these cards. The size of our office poses stringent challenges on separating internal controls while still limiting these risks. We are very pleased with the time and efforts put into this report and realize the deliberation your staff underwent to create it. Overall, we are confident that by working together with DOAS we will become a stronger agency. That was one of the purposes for GOHS requesting DOAS to perform the process improvement review.

The Process Improvement Team believes that the purchasing card can be and is one of the most secure methods for obtaining goods and services. In many respects, the purchasing card is a more secure method of procurement. Features available with the card program include:

1. Limits on the Merchant Category Codes available to cardholders can restrict purchases to just the vendors who provide the goods and services permitted using the purchasing card.
2. Single Transaction Limits and Cycle Limits restrict the amounts that cardholders can spend at one time and during one billing cycle, thus reducing the exposure to the Agency and to the State.
3. Limits can also be placed on the number of transactions a cardholder can make in one day.

4. Email notifications to cardholders, supervisors, and program administrators when transactions post to an account allow for immediate detection of unauthorized charges.
5. Reports in Works Payment Manager allow management to monitor spend by major categories and by individual merchants.

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## **Areas of Outstanding Program Management**

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### **Use of Works Payment Manager**

The Governor's Office of Highway Safety implemented the Works Payment Manager (Works) system provided by Bank of America in May 2007. The ability to allocate transactions to General Ledger information and export the results to Excel has resulted in time savings for employees. This practice provides accuracy and convenience that is not available with a manual system. Through email alerts, the Card Program Administrator is also able to reconcile and allocate transactions daily rather than at one time at the end of the billing cycle.

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## Conclusions

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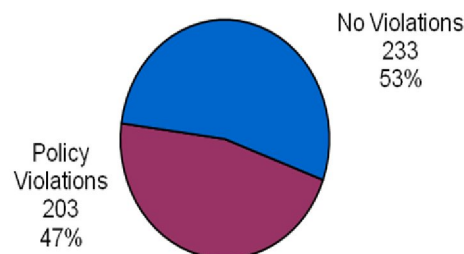
Cardholders made 436 transactions totaling \$128,754.24 during the period under review. The Process Improvement Team reviewed all of the transactions, of which 203 (47%) reflected policy violations. Review of the Agency Purchasing Card Policies and Procedures Manual and administration of the program resulted in two areas in need of improvement.

This report presents recommendations to ensure that the Agency develops a policy suited to its needs while complying with the new State Purchasing Card Policy, dated September 5, 2008. Other recommendations include additional training for management to gain greater knowledge of program management and Works Payment Manager.

The table below summarizes the areas for improvement, all classified as high risk, along with suggested mitigation strategies for improving program administration.

The Process Improvement Team will perform a follow-up review no later than 12 months from the date of this report to determine level of improvement in these areas.

### On-Site Review Results



### High Risk Areas

Area	Analysis Area	# of Occurrences	Dollar Volume	Mitigation Strategy	Page(s)
Out-of-Date Purchasing Card Policy	Internal Controls	1	N/A	Policy update	7-9
Cardholder Agreements Not on File	Internal Controls	3	N/A	Policy update	9-10
Inadequate Separation of Duties	On-Site Review	101	\$16,820.91	Policy update; training	10-13
Unauthorized Employee Use of the Cards	On-Site Review	250	\$74,245.15	Policy update; training	14-21
Inadequate Invoice Information	On-Site Review	33	\$8,917.72	Policy update; training	22-24
Payment of Sales Tax	On-Site Review	9	\$1,727.05 (\$94.57 tax)	Policy update; training	24-25

## Medium Risk Areas

Area	Analysis Area	# of Occurrences	Dollar Volume	Mitigation Strategy	Page(s)
Split Transactions	On-Site Review	7	\$11,502.72	Policy update; training	<a href="#">21-22</a>

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## Findings by Program Area

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### Internal Controls

The purpose of the Internal Controls Program is to determine if internal policies and procedures, when followed, adequately address the controls needed in order to protect the Agency against misuse or fraudulent use of the purchasing card.

#### 1. Out-of-Date Purchasing Card Policy

Management has not reviewed the adequacy of the Agency's Purchasing Card Policies and Procedures Manual (policy) since it went into effect in October 2003. Several of the sections are either out-of-date; contain ambiguous or misleading wording; or are in violation of the State Purchasing Card Contract Guide, the State policy in effect during the review period.

The policy has the following weaknesses (refer to numbered list of recommendations below corresponding to each weakness):

1. The policy does not allow for adequate separation of duties between using the card and approving transactions for payment.
2. The policy does not address the responsibilities of all personnel associated with the program.
3. The policy lists "Hotel (Lodging)" as an allowable purchase.
4. The policy prohibits purchase of "Fuel (Personal Vehicle)" and "Vehicle repair service (Personal Vehicle)". Inclusion of the word "personal" in these exclusions implies that these types of purchases are authorized for State vehicles.
5. The policy does not address the different roles, reports, and features available in Works Payment Manager.

**Implications:** (1) Lack of adequate internal controls, (2) Agency staff unaware of/not following rules/regulations which can lead to (a) financial losses; (b) fraud; (c) lawsuits; and (d) other risk exposure to the Agency/State, and (3) the Agency is not using the card to its full potential because of out-of-date or inaccurate restrictions on allowable purchases.

**Level of Risk:** **High** due to lack of adequate guidelines and non-compliance with existing guidelines

**Reference:** State Purchasing Card Contract Guide

#### **Recommendations:**

The Department of Administrative Services, State Purchasing Division, issued a new State Purchasing Card Policy dated September 5, 2008. The Agency must update the internal policy in order to bring it into compliance with State requirements and to address findings and recommendations described in this report.



Recommendations to address the corresponding numbered items above are:

1. The policy must allow for separation of duties by requiring that cards be under dual control if not under cardholder control at all times. The policy must also require separation of responsibility for making transactions, review and approval of monthly billing statements, allocation to the General Ledger, and final approval for payment. Supervisory review and final approval responsibility cannot be delegated to another employee.
2. The policy contains detailed responsibilities only for the card program administrator. Cardholder and supervisor responsibilities are not listed. Management must include in the policy specific responsibilities for all personnel, including cardholders, supervisors, Card Program Administrator, and the employee responsible for final approval for payment.
3. State policy prohibits use of the purchasing card for all travel expenses for State employees with the exception of airline tickets and car rentals from the statewide contracts. The Agency policy must adhere to State guidelines for prohibited and allowed purchases. Refer to the State Purchasing Card Policy available on the State Purchasing Division web site at [statepurchasing.doas.ga.gov](http://statepurchasing.doas.ga.gov).
4. State policy prohibits use of the purchasing card for fuel and repair purchases for State vehicles without prior approval from the State Purchasing Division. Ambiguous wording must be removed from the policy. Agency policy must specifically prohibit all "personal" purchases. Any other listing of allowed or prohibited purchases will refer to purchases for State use.
5. In May 2007, the Agency implemented Works Payment Manager, the card program administration system provided by Bank of America. This change resulted in new procedures for ordering cards, maintaining spending limits, terminating cards, and allocation of the charges to General Ledger information. Management must update the policy to reflect new procedures and responsibilities for administering the card program and performing transaction allocation.

**Action Plans (see Action Plan Summary for target completion dates):**

1. Update Agency Purchasing Card Policies and Procedures Manual to address deficiencies noted above.
  - a. Provide for separation of duties between card administration, access to purchasing cards, and approval for payment.
  - b. Describe specific responsibilities for cardholders, supervisors, Card Program Administrator, and accounting.
  - c. Ensure lists of permitted and prohibited expenses comply with the new State Purchasing Card Policy dated September 5, 2008,
  - d. Update policy and procedures to define the roles and responsibilities related to Works Payment Manager.
2. Submit a copy of the updated Agency Purchasing Card Policies and Procedures Manual to Process Improvement. Process Improvement will provide feedback on the adequacy of the policy within 14 days of receipt of the policy.
3. Review new Agency and State policies with all cardholders and supervisors.

**Response: The Governors' Office of Highway Safety recognizes the importance of this procedure and has updated the current policies to be in line with the policies outlined in the Grant Procurement Manual. Effective February 5<sup>th</sup>, 2009, the manual**

will be evaluated annually each December and signed by the Division Director of Finance as reviewed. A copy of this manual will be maintained in our library and on-line resources for easy reference.

The Process Improvement Audit Team appreciates management's willingness to keep the policy up-to-date and to make it available to all personnel. The Team looks forward to reviewing the revised policy when submitted.

This finding will remain in the report at the stated risk level.

## 2. Cardholder Agreements Not on File

The Agency did not have signed cardholder agreements for any of the cardholders. According to the Card Program Administrator, the Department of Public Safety, the Agency to which GOHS is attached, maintains the originals of these records. However, that Agency could not locate the agreements, either. Current cardholders signed new agreements during the audit.

**Implications:** (1) The Agency does not have evidence of the cardholders' understanding of the responsibilities in the event of fraudulent or unauthorized use of the card and (2) lack of compliance with State and internal policies.

**Level of Risk:** **High** due to the fact that there were no agreements on file for any of the cardholders

**Reference:** State Purchasing Card Contract Guide

### **Recommendation:**

The State Purchasing Card Contract Guide required cardholders to sign agreements indicating their understanding of the terms and conditions for use of the card and to maintain these in a permanent cardholder file. The current State Purchasing Card Policy contains the same requirement. Cardholder agreements provide acknowledgement by the cardholder that all transactions will comply with State and Agency guidelines.

It is recommended that the agreement be incorporated into Agency training on card use and that cardholders and their supervisors sign the agreement prior to issuing the card.

The Agency has provided copies of all cardholder agreements to the Process Improvement Team, including two new cardholders, on May 5, 2008.

### **Action Plans** ([see Action Plan Summary for target completion dates](#)):

1. Determine where the original agreements will be filed and establish the files.
2. Incorporate into the Agency purchasing card policy the requirement for cardholders and their supervisors to sign cardholder agreements prior to receipt of the card.

**Response:** The Governors' Office of Highway Safety recognizes the importance of this procedure and has updated our cardholder agreements to include all authorized personnel with a card. This procedure was completed during the fieldwork phase of the review. These files were established at GOHS and will be

maintained here rather than the Department of Public Safety. These files were made current beginning September 17<sup>th</sup>, 2007.

The Process Improvement Audit Team received copies of the updated agreements during the fieldwork portion of the audit. The Team agrees with the Agency that the best location for the documents is with the Governor's Office of Highway Safety and we recognize the fact that this has been implemented. However, the action plans stated above also require incorporation of cardholder agreements into the purchasing card policy.

This finding will remain in the report at the stated risk level.

## On-Site Review

The purpose of the On-Site Review program is to determine if transactions made with the state-issued purchasing card comply with (1) the State Purchasing Card Policy, (2) Section 50-5 of the Official Code of Georgia, Annotated (O.C.G.A.), (3) the Georgia Procurement Manual, (4) the Georgia Vendor Manual, when applicable, and (5) the Agency's internal purchasing card program policy.

### 1. Inadequate Separation of Duties

The Agency does not have adequate separation of duties for the purchasing card program. The distribution of responsibilities has the following weaknesses:

1. The Card Program Administrator has unsupervised access to all purchasing cards and made multiple transactions on the card assigned to the Director of Finance and Budget. She provided the only approval by signing the Budget approval for him on the transaction shown in **bold** font in the table below.
2. Cardholders do not sign the internal purchase requisition unless they are the requesting employee nor do they maintain transaction logs.
3. Neither the cardholders nor their supervisors sign the monthly billing statements to indicate review and approval.
4. Some purchases either did not have an approved requisition attached to the invoice or had a requisition dated after the transaction.
5. The Director of Finance and Budget is a cardholder and approves the combined monthly statement for payment. There were also instances where he provided the only approval on the requisition for transactions on his card. Refer to transactions in ***bold italic*** font in the table below for examples.

The transactions in the following table contributed to this finding:

Cardholder	Post Date	Merchant	Transaction Amount
Giles, Clareon	08-30-2006	OFFICE DEPOT #1214	\$474.58
Giles, Clareon	09-08-2006	OFFICE DEPOT #1214	\$259.12
Giles, Clareon	09-15-2006	PITNEY BOWES SUPPLY	\$241.06
Giles, Clareon	09-22-2006	KEITH PLAQUES	\$41.77
Giles, Clareon	10-11-2006	OFFICE DEPOT #1214	\$469.58

Cardholder	Post Date	Merchant	Transaction Amount
Giles, Clareon	10-18-2006	CSI*CRESTLINE CO INC	(\$204.13)
Giles, Clareon	10-19-2006	OFFICE DEPOT #1214	(\$25.16)
Giles, Clareon	10-19-2006	OFFICE DEPOT #1214	(\$13.49)
Giles, Clareon	10-20-2006	ORB*AP200101FCJFWUP6	\$11.98
Giles, Clareon	10-20-2006	TRAVELOCITY.COM	\$10.00
Giles, Clareon	11-20-2006	OFFICE DEPOT #1214	(\$2.99)
Giles, Clareon	12-15-2006	OFFICE DEPOT #1214	\$68.38
Giles, Clareon	02-26-2007	OFFICE DEPOT #1214	(\$14.46)
Giles, Clareon	03-09-2007	STAPLES DIRECT00209908	(\$169.99)
Giles, Clareon	03-13-2007	OFFICE DEPOT #1214	\$40.15
Giles, Clareon	03-19-2007	OFFICE DEPOT #1214	(\$49.20)
Giles, Clareon	04-09-2007	WORLDSTRIDES	\$100.00
Giles, Clareon	05-16-2007	ACCU-PRINT	\$170.00
Griffin, Robert	07-10-2006	ATLANTIC DATA STORAGE	\$140.00
Griffin, Robert	07-12-2006	DELL MARKETING L.P.	\$296.10
Griffin, Robert	07-17-2006	SHOPLET.COM	\$0.01
Griffin, Robert	07-17-2006	SHOPLET.COM	\$294.50
Griffin, Robert	07-24-2006	INTERLAND INC/WEB.COM	\$199.95
Griffin, Robert	07-26-2006	DELL MARKETING L.P.	\$41.36
Griffin, Robert	07-26-2006	DELL MARKETING L.P.	\$50.32
Griffin, Robert	08-07-2006	ASSOC OF GOVERNMENT ACCT	\$30.00
Griffin, Robert	08-07-2006	ASSOC OF GOVERNMENT ACCT	\$65.00
Griffin, Robert	08-04-2006	ATLANTIC DATA STORAGE	\$145.00
Griffin, Robert	08-07-2006	HP DIRECT-PUBLICSECTOR	\$299.00
Griffin, Robert	08-21-2006	INTERLAND INC/WEB.COM	\$9.00
Griffin, Robert	08-23-2006	INTERLAND INC/WEB.COM	\$199.95
Griffin, Robert	09-08-2006	ATLANTIC DATA STORAGE	\$140.00
Griffin, Robert	09-18-2006	NATIONAL SAFETY COUNCIL	\$525.00
<b>Griffin, Robert</b>	<b>09-18-2006</b>	<b>GODADDY.COM</b>	<b>\$36.88</b>
Griffin, Robert	09-18-2006	SFI*PHOTOSBYSHUTTERFLY	\$202.89
Griffin, Robert	09-22-2006	INTERLAND INC/WEB.COM	\$199.95
Griffin, Robert	09-25-2006	REGONLINE COM	\$108.00
Griffin, Robert	09-27-2006	SFI*PHOTOSBYSHUTTERFLY	\$36.98
Griffin, Robert	10-05-2006	ATLANTIC DATA STORAGE	\$140.25
Griffin, Robert	10-18-2006	ASSOC OF GOVERNMENT ACCT	\$49.00
Griffin, Robert	10-19-2006	OFFICE DEPOT #2140	\$832.74
Griffin, Robert	10-19-2006	REGONLINE COM	\$805.50
Griffin, Robert	10-19-2006	CUSTOM SIGNS TODAY	\$420.79
Griffin, Robert	10-20-2006	PEER 1 DEDICATED HOSTING	\$111.00
Griffin, Robert	10-23-2006	HP DIRECT-PUBLICSECTOR	\$422.00
Griffin, Robert	10-23-2006	OFFICE DEPOT #1214	(\$127.60)
Griffin, Robert	10-23-2006	PEER 1 DEDICATED HOSTING	\$199.95
Griffin, Robert	11-17-2006	ATLANTA DATA STORAGE LLC	\$143.00
Griffin, Robert	12-05-2006	PEER 1 DEDICATED HOSTING	\$66.00
Griffin, Robert	11-30-2006	ASSOCIATION OF GOVERNMENT	\$79.00
Griffin, Robert	12-01-2006	PEER 1 DEDICATED HOSTING	\$199.95
<b>Griffin, Robert</b>	<b>12-06-2006</b>	<b>BURRELLESLUCE</b>	<b>\$372.78</b>
<b>Griffin, Robert</b>	<b>12-06-2006</b>	<b>BURRELLESLUCE</b>	<b>\$372.10</b>

Cardholder	Post Date	Merchant	Transaction Amount
<b>Griffin, Robert</b>	<b>12-06-2006</b>	<b>VIDEO ATLANTA</b>	<b>\$55.00</b>
<b>Griffin, Robert</b>	<b>12-14-2006</b>	<b>BLUE RIDGE WATERS</b>	<b>\$97.40</b>
Griffin, Robert	12-18-2006	ATLANTA DATA STORAGE LLC	\$140.25
Griffin, Robert	12-19-2006	PEER 1 DEDICATED HOSTING	\$84.00
Griffin, Robert	01-02-2007	PEER 1 DEDICATED HOSTING	\$45.00
Griffin, Robert	01-03-2007	BLUE RIDGE WATERS	\$33.75
Griffin, Robert	01-11-2007	WWWIMPRINTITEMSCOM	\$2,832.00
Griffin, Robert	01-15-2007	ATLANTA DATA STORAGE LLC	\$138.50
Griffin, Robert	01-19-2007	PEER 1 DEDICATED HOSTING	\$75.00
Griffin, Robert	01-23-2007	PEER 1 DEDICATED HOSTING	\$199.95
<b>Griffin, Robert</b>	<b>01-23-2007</b>	<b>DOAS SURPLUS</b>	<b>\$511.00</b>
Griffin, Robert	02-02-2007	BLUE RIDGE WATERS	\$53.05
Griffin, Robert	02-06-2007	ATLANTA DATA STORAGE LLC	\$138.50
Griffin, Robert	02-07-2007	OFFICE DEPOT #2140	\$165.76
Griffin, Robert	02-22-2007	PEER 1 DEDICATED HOSTING	\$199.95
Griffin, Robert	03-02-2007	BLUE RIDGE WATERS	\$91.65
Griffin, Robert	03-02-2007	PEER 1 DEDICATED HOSTING	\$108.00
Griffin, Robert	03-08-2007	BURRELLESLUCE	\$439.06
Griffin, Robert	03-09-2007	ATLANTA DATA STORAGE LLC	\$140.00
<b>Griffin, Robert</b>	<b>03-19-2007</b>	<b>AGEOTRAV-MONUMENTAL MTGS</b>	<b>\$199.00</b>
Griffin, Robert	03-22-2007	PEER 1 DEDICATED HOSTING	\$199.95
Griffin, Robert	03-21-2007	STATE MERIT SYSTEM	\$85.00
<b>Griffin, Robert</b>	<b>03-29-2007</b>	<b>ASSOCIATION OF GOVERNMENT</b>	<b>\$249.00</b>
<b>Griffin, Robert</b>	<b>04-02-2007</b>	<b>XEROX CORPORATION #1A</b>	<b>\$292.56</b>
Griffin, Robert	04-02-2007	BLUE RIDGE WATERS	\$59.20
Griffin, Robert	04-09-2007	BURRELLESLUCE	\$791.50
Griffin, Robert	04-17-2007	PEER 1 DEDICATED HOSTING	\$102.00
Griffin, Robert	04-18-2007	ATLANTA DATA STORAGE LLC	\$139.50
Griffin, Robert	04-20-2007	SEMINARS NATL PADGETT	(\$54.90)
Griffin, Robert	04-23-2007	PEER 1 DEDICATED HOSTING	\$199.95
Griffin, Robert	05-03-2007	BLUE RIDGE WATERS	\$91.65
Griffin, Robert	05-09-2007	ATLANTA DATA STORAGE LLC	\$144.50
Griffin, Robert	05-09-2007	BURRELLESLUCE	\$438.02
Griffin, Robert	05-22-2007	PEER 1 DEDICATED HOSTING	\$199.95
Griffin, Robert	06-04-2007	BLUE RIDGE WATERS	\$71.55
Griffin, Robert	06-06-2007	ATL JOURNAL *NEWSPAPER	\$229.90
Griffin, Robert	06-07-2007	Amazon.com	\$128.76
Griffin, Robert	06-21-2007	NATIONAL SAFETY COUNCIL	\$600.00
Hardy, Tammi	07-07-2006	UNF TRAINING SERV INST	(\$395.00)
Hardy, Tammi	07-24-2006	OFFICE DEPOT #1214	\$79.44
Hardy, Tammi	07-24-2006	OFFICE DEPOT #1214	(\$535.92)
Hardy, Tammi	08-10-2006	OFFICE DEPOT #1214	(\$79.44)
Hardy, Tammi	08-10-2006	INTL ASSN OF CHIEF OF POL	(\$275.00)
Hardy, Tammi	08-11-2006	OFFICE DEPOT #1214	(\$143.52)
Hardy, Tammi	09-14-2006	OFFICE DEPOT #1214	\$7.74
Hardy, Tammi	03-13-2007	CREDIT PURCHASE BALANCE	(\$68.17)
Hardy, Tammi	04-04-2007	LIFESAVERS CONFERENCE 3	(\$175.00)
Hardy, Tammi	06-07-2007	GEORGIA CORRECTIO01 OF 01	\$177.32

Cardholder	Post Date	Merchant	Transaction Amount
		Total	\$16,820.91

**Implications:** (1) The Agency does not have adequate or independent oversight of transactions, (2) fraudulent transactions could go undetected, and (3) lack of adherence to State policy.

**Level of Risk:** **High** due to dollar volume of \$16,820.91 and number of transactions (101)

**Reference:** State Purchasing Card Contract Guide

**Recommendations:**

The State Purchasing Card Contract Guide required approving officials to review the monthly statements of all cardholders under his/her supervision in order to verify that all transactions were for official State business; that all purchases were in compliance with State and Agency guidelines; and that all documentation was complete. Implied in this requirement is that the approving official will sign or initial the statement indicating review and approval.

The Agency's unwritten internal requisition procedure as implemented does not fulfill cardholder or supervisor responsibilities with respect to making, reviewing, and approving transactions.

Recommendations to address the corresponding numbered items above are:

1. One employee must not have the authority or the ability to make transactions and provide approval for payment of those transactions. As a non-cardholder, the Card Program Administrator must not have unsupervised access to the purchasing cards.
2. Once the requesting employee receives approval for a purchase, the cardholder must make the transaction, not the requesting employee. In the absence of a cardholder-maintained transaction log, the cardholders must sign the requisition acknowledging the transaction and return the requisition and supporting documentation to the Card Program Administrator.
3. Cardholders and their supervisors must review and sign the monthly billing statements indicating that all goods or services were for official State use and that the statement is approved for payment.
4. The employee who uses or has knowledge of purchases for which a requisition is not required must sign the invoice indicating that the product or service was received in order to prevent payment for goods or services not received.
5. The person making final authorization for payment must not have a purchasing card.

**Action Plans (see Action Plan Summary for target completion dates):**

1. Incorporate into Agency policy the requirements:
  - a. Cardholders must make all transactions with the cards and sign the requisition indicating that he/she made the transaction;
  - b. Cardholders and supervisors must review all transactions on a regular basis, but not less than once per month, and sign the monthly billing statement indicating review and approval of transactions.
  - c. Director of Finance and Budget must sign the composite monthly billing statement indicating review and approval for payment.

2. Issue a card to someone other than the Director of Finance and Budget for transactions that would normally be placed on that purchasing card.
3. Enroll the card program administrator, supervisors, and cardholders in the Introduction to Purchasing Card Principles course offered by the Professional Development unit within the DOAS State Purchasing Division. Schedule information is available on the State Purchasing Division web site at [statepurchasing.doas.ga.gov](http://statepurchasing.doas.ga.gov). [Cardholders Helen Bagley and Clareon Giles attended the Introduction to Purchasing Card Principles class in February 2008 and March 2008, respectively. This satisfies part of the requirement of this action plan.]

**Response: The Governors' Office of Highway Safety recognizes the importance of this procedure and has updated our internal control policy and re-assigned the card to an administrative capacity. We understand that having adequate separation of duties is crucial in mitigating risks associated with fraud, waste and abuse. This process was changed immediately when recognized in the process improvement review. The Finance Director's card was deactivated June 26<sup>th</sup>, 2008.**

**The Process Improvement Audit Team recognizes management's attention to this weakness in the area of internal controls. This kind of separation protects both the Agency and the Finance Director from any accusation of impropriety. Management is encouraged to strengthen this change by completing the action plan to incorporate this structure into the Agency's purchasing card policy and to ensure that all cardholders have received the needed training in proper use of the card.**

**This finding will remain in the report at the stated risk level.**

## 2. Unauthorized Employee Use of Purchasing Cards

It appears that personnel other than the cardholders to whom the cards are issued make the majority of the transactions with the cards. The 250 transactions in the table below contributed to this finding:

Cardholder	Post Date	Merchant	Transaction Amount
Giles, Clareon	07-10-2006	INTL ASSN OF CHIEF OF POL	\$100.00
Giles, Clareon	07-10-2006	INTL ASSN OF CHIEF OF POL	\$220.00
Giles, Clareon	07-19-2006	BLUE RIDGE WATERS	\$112.00
Giles, Clareon	07-21-2006	JK HARRIS PUBLICATIONS L	\$1,300.00
Giles, Clareon	07-28-2006	PAYPAL *SAFE KIDS	\$465.00
Giles, Clareon	08-02-2006	SAFE KIDS WORLDWIDE	\$60.00
Giles, Clareon	08-03-2006	INFORMATION TODAY INC	\$164.90
Giles, Clareon	08-09-2006	BLUE RIDGE WATERS	\$71.50
Giles, Clareon	08-21-2006	ON TIME SUPPLIES 00 OF 00	\$190.00
Giles, Clareon	08-30-2006	OFFICE DEPOT #1214	\$474.58
Giles, Clareon	09-04-2006	ALPHAGRAPHICS	\$473.00
Giles, Clareon	09-08-2006	OFFICE DEPOT #1214	\$259.12
Giles, Clareon	09-15-2006	PITNEY BOWES SUPPLY	\$241.06
Giles, Clareon	09-19-2006	IMAGISTICS	\$210.60



Cardholder	Post Date	Merchant	Transaction Amount
Giles, Clareon	09-20-2006	FEDEX KINKO'S #1527	\$175.50
Giles, Clareon	09-21-2006	IMAGISTICS	(\$15.60)
Giles, Clareon	09-22-2006	KEITH PLAQUES	\$41.77
Giles, Clareon	09-25-2006	BLUE RIDGE WATERS	\$25.90
Giles, Clareon	09-29-2006	CSI*CRESTLINE CO INC	\$3,509.41
Giles, Clareon	10-02-2006	FEDEX KINKO'S #1527	\$16.00
Giles, Clareon	10-11-2006	OFFICE DEPOT #1214	\$469.58
Giles, Clareon	10-13-2006	KEITH PLAQUES	\$86.17
Giles, Clareon	10-16-2006	BLUE RIDGE WATERS	\$131.10
Giles, Clareon	10-18-2006	OFFICE DEPOT #1214	\$395.82
Giles, Clareon	10-20-2006	ORB*AP200101FCJFWUP6	\$11.98
Giles, Clareon	10-20-2006	TRAVELOCITY.COM	\$10.00
Giles, Clareon	10-23-2006	USAIRWAYS 0377791676878	\$257.20
Giles, Clareon	10-23-2006	USAIRWAYS 0377791676879	\$257.20
Giles, Clareon	10-25-2006	KEITH PLAQUES	\$17.50
Giles, Clareon	10-26-2006	KEITH PLAQUES	\$15.50
Giles, Clareon	10-30-2006	OFFICE DEPOT #1214	\$396.14
Giles, Clareon	11-03-2006	OFFICE DEPOT #1214	\$311.41
Giles, Clareon	11-07-2006	KEITH PLAQUES	\$17.50
Giles, Clareon	11-08-2006	OFFICE DEPOT #1214	(\$62.99)
Giles, Clareon	11-13-2006	OFFICE DEPOT #1214	\$410.98
Giles, Clareon	11-14-2006	ALPHAGRAPHS	\$2,032.00
Giles, Clareon	11-16-2006	REI*MATTHEW BENDER &CO	\$94.79
Giles, Clareon	11-20-2006	OFFICE DEPOT #1214	\$472.75
Giles, Clareon	11-20-2006	OFFICE DEPOT #1214	(\$8.99)
Giles, Clareon	11-22-2006	SAFE KIDS WORLDWIDE	\$75.00
Giles, Clareon	11-24-2006	OFFICE DEPOT #1214	\$360.72
Giles, Clareon	11-29-2006	OFFICE DEPOT #1214	\$8.99
Giles, Clareon	11-29-2006	DOWNSHIFT	\$687.50
Giles, Clareon	11-30-2006	GA INSTITUTE OF TECHNOLO	\$1,500.00
Giles, Clareon	12-01-2006	ACCU PRINT	\$340.00
Giles, Clareon	12-01-2006	GET SMART PRODUCTS	\$99.15
Giles, Clareon	12-01-2006	SFI*PHOTOSBYSHUTTERFLY	\$89.95
Giles, Clareon	12-01-2006	SFI*PHOTOSBYSHUTTERFLY	\$125.93
Giles, Clareon	12-04-2006	OFFICE DEPOT #1214	\$494.70
Giles, Clareon	12-13-2006	OFFICE DEPOT #1214	\$409.27
Giles, Clareon	12-13-2006	KEITH PLAQUES	\$9.50
Giles, Clareon	12-15-2006	OFFICE DEPOT #1214	\$68.38
Giles, Clareon	12-15-2006	KMS*KONICAMINOLTA	\$53.50
Giles, Clareon	12-19-2006	ACCU PRINT	\$170.00
Giles, Clareon	12-21-2006	OFFICE DEPOT #1214	(\$76.49)
Giles, Clareon	12-21-2006	GET SMART PRODUCTS	\$86.20
Giles, Clareon	12-21-2006	KMS*KONICAMINOLTA	\$117.18
Giles, Clareon	12-27-2006	OFFICE DEPOT #1214	\$43.87
Giles, Clareon	12-29-2006	ALPHAGRAPHS	\$328.51
Giles, Clareon	01-02-2007	NORTH ATLANTA TRADE CENTE	\$475.00
Giles, Clareon	01-02-2007	OFFICE DEPOT #1214	\$864.53
Giles, Clareon	01-05-2007	KMS*KONICAMINOLTA	(\$8.68)
Giles, Clareon	01-08-2007	OFFICE DEPOT #1214	\$185.14



Cardholder	Post Date	Merchant	Transaction Amount
Giles, Clareon	01-05-2007	SFI*PHOTOSBYSHUTTERFLY	\$52.17
Giles, Clareon	01-08-2007	OFFICE DEPOT #1214	\$17.49
Giles, Clareon	01-11-2007	CLASSLINE INC	\$15.00
Giles, Clareon	01-15-2007	OFFICE DEPOT #1214	\$23.92
Giles, Clareon	01-15-2007	OFFICE DEPOT #1214	\$169.76
Giles, Clareon	01-22-2007	SPOT COOLER	\$40.00
Giles, Clareon	01-22-2007	OFFICE DEPOT #1214	\$124.09
Giles, Clareon	01-25-2007	GEORGIA CORRECTIO01 OF 01	\$52.50
Giles, Clareon	01-29-2007	OFFICE DEPOT #1214	\$450.28
Giles, Clareon	01-30-2007	KMS*KONICAMINOLTA	\$334.47
Giles, Clareon	02-02-2007	OFFICE DEPOT #1214	\$362.90
Giles, Clareon	02-05-2007	INTL ASSN OF CHIEF OF POL	\$100.00
Giles, Clareon	02-05-2007	OFFICE DEPOT #1214	\$111.54
Giles, Clareon	02-05-2007	STAPLES DIRECT00209908	\$25.15
Giles, Clareon	02-05-2007	ATLANTAREGI	\$2,500.00
Giles, Clareon	02-05-2007	PITNEY BOWES SUPPLY	\$258.95
Giles, Clareon	02-07-2007	OFFICE DEPOT #1214	\$112.00
Giles, Clareon	02-08-2007	OFFICE DEPOT #1214	\$71.98
Giles, Clareon	02-08-2007	LANIER WORLDWIDE	\$76.02
Giles, Clareon	02-09-2007	INT'L ASSN OF CHI01 OF 01	\$100.00
Giles, Clareon	02-12-2007	OFFICE DEPOT #1214	(\$10.36)
Giles, Clareon	02-12-2007	OFFICE DEPOT #1214	(\$10.36)
Giles, Clareon	02-12-2007	OFFICE DEPOT #1214	\$10.36
Giles, Clareon	02-22-2007	IMAGISTICS	\$200.95
Giles, Clareon	02-12-2007	OFFICE DEPOT #1214	\$10.36
Giles, Clareon	02-12-2007	STAPLES DIRECT00209908	\$49.99
Giles, Clareon	02-14-2007	OFFICE DEPOT #1214	\$396.70
Giles, Clareon	02-14-2007	ACCU PRINT	\$340.00
Giles, Clareon	02-15-2007	ALPHAGRAPHS	\$41.58
Giles, Clareon	02-19-2007	STAPLES DIRECT00209908	\$339.98
Giles, Clareon	02-19-2007	GEORGIA ASSOCIATION OF	\$100.00
Giles, Clareon	02-19-2007	LAN TECHNOLOGIES INC	\$220.00
Giles, Clareon	02-19-2007	HP DIRECT-PUBLICSECTOR	\$908.00
Giles, Clareon	02-20-2007	KEITH PLAQUES	\$8.00
Giles, Clareon	02-20-2007	OFFICE DEPOT #1214	\$13.14
Giles, Clareon	02-21-2007	OFFICE DEPOT #1214	\$392.17
Giles, Clareon	02-26-2007	OFFICE DEPOT #1214	(\$14.46)
Giles, Clareon	02-26-2007	KMS*KONICAMINOLTA	\$314.48
Giles, Clareon	03-01-2007	OFFICE DEPOT #1214	\$112.27
Giles, Clareon	03-07-2007	ACCU-PRINT	\$170.00
Giles, Clareon	03-29-2007	XBS/DEPT OF ADMIN SERVICE	\$12.33
Giles, Clareon	03-13-2007	OFFICE DEPOT #1122	\$77.37
Giles, Clareon	03-14-2007	OFFICE DEPOT #1214	\$242.09
Giles, Clareon	03-14-2007	CSU SACRAMENTO CCEWEB	\$250.00
Giles, Clareon	03-14-2007	CSU SACRAMENTO CCEWEB	\$250.00
Giles, Clareon	03-15-2007	KEITH PLAQUES	\$535.00
Giles, Clareon	03-20-2007	WHOLESALE POSTER FRAMES C	\$237.67
Giles, Clareon	03-23-2007	OFFICE DEPOT #1214	\$110.18
Giles, Clareon	03-23-2007	OFFICE DEPOT #1214	\$229.60

Cardholder	Post Date	Merchant	Transaction Amount
Giles, Clareon	03-26-2007	OFFICE DEPOT #1214	\$202.21
Giles, Clareon	04-02-2007	OFFICE DEPOT #1214	\$467.72
Giles, Clareon	04-03-2007	KEITH PLAQUES	\$8.00
Giles, Clareon	04-09-2007	OFFICE DEPOT #1214	\$11.32
Giles, Clareon	04-09-2007	OFFICE DEPOT #1214	\$621.80
Giles, Clareon	04-09-2007	WORLDSTRIDES	\$100.00
Giles, Clareon	04-10-2007	ASSOCIATION OF GOVERNMENT	\$775.00
Giles, Clareon	04-11-2007	ETR ASSOCIATES	\$506.00
Giles, Clareon	04-12-2007	OFFICE DEPOT #1214	\$350.72
Giles, Clareon	04-16-2007	OFFICE DEPOT #1214	\$316.71
Giles, Clareon	04-24-2007	ATLAS FLAGS INC	\$310.00
Giles, Clareon	04-27-2007	JLAB AUDIO	\$70.65
Giles, Clareon	05-02-2007	OFFICE DEPOT #1214	\$33.24
Giles, Clareon	05-02-2007	OFFICE DEPOT #1214	\$185.60
Giles, Clareon	05-03-2007	THE GEORGIAN PRESS	\$181.36
Giles, Clareon	05-04-2007	OFFICE DEPOT #1214	\$176.51
Giles, Clareon	05-11-2007	OFFICE DEPOT #1214	\$238.82
Giles, Clareon	05-14-2007	OFFICE DEPOT #1214	\$50.88
Giles, Clareon	05-17-2007	BARNES & NOBLE.COM	\$43.20
Giles, Clareon	05-18-2007	BARNES & NOBLE.COM	\$41.60
Giles, Clareon	05-23-2007	ULINE *SHIP SUPPLIES	\$81.00
Giles, Clareon	05-25-2007	OFFICE DEPOT #1214	(\$50.88)
Giles, Clareon	05-25-2007	OFFICE DEPOT #1214	\$70.24
Giles, Clareon	05-25-2007	OFFICE DEPOT #1214	\$276.17
Giles, Clareon	05-30-2007	OFFICE DEPOT #1214	\$189.32
Giles, Clareon	05-30-2007	FEDEX KINKO'S #1527	\$72.00
Giles, Clareon	06-18-2007	OFFICE DEPOT #1214	\$226.61
Giles, Clareon	06-20-2007	OFFICE DEPOT #1214	(\$8.89)
Giles, Clareon	06-19-2007	OFFICE DEPOT #1214	\$124.73
Giles, Clareon	06-25-2007	KMS*KONICAMINOLTA	\$164.49
Giles, Clareon	06-27-2007	INTL ASSN OF CHIEF OF POL	\$75.00
Giles, Clareon	06-28-2007	GOVERNORS HWY SFTY ASSOC	\$400.00
Giles, Clareon	06-28-2007	PITNEY BOWES INVOICE	\$14.99
Giles, Clareon	06-29-2007	GET SMART PRODUCTS	\$127.75
Giles, Clareon	07-02-2007	OFFICE DEPOT #1214	\$163.85
Giles, Clareon	07-04-2007	KEITH PLAQUES	\$15.00
Griffin, Robert	07-03-2006	EXTRA PRINTING SVCS INC	\$297.00
Griffin, Robert	07-10-2006	ATLANTIC DATA STORAGE	\$140.00
Griffin, Robert	07-12-2006	DELL MARKETING L.P.	\$296.10
Griffin, Robert	07-11-2006	WHITAKER NEWSLETTERS I	\$275.00
Griffin, Robert	07-17-2006	SHOPLET.COM	\$294.50
Griffin, Robert	07-24-2006	INTERLAND INC/WEB.COM	\$199.95
Griffin, Robert	07-26-2006	DELL MARKETING L.P.	\$41.36
Griffin, Robert	07-26-2006	DELL MARKETING L.P.	\$50.32
Griffin, Robert	07-27-2006	SFI*PHOTOSBYSHUTTERFLY	\$43.45
Griffin, Robert	08-04-2006	OFFICE DEPOT #1214	\$497.47
Griffin, Robert	08-07-2006	ASSOC OF GOVERNMENT ACCT	\$30.00
Griffin, Robert	08-04-2006	ATLANTIC DATA STORAGE	\$145.00
Griffin, Robert	08-07-2006	SHOPLET.COM	\$294.50

Cardholder	Post Date	Merchant	Transaction Amount
Griffin, Robert	08-07-2006	HP DIRECT-PUBLICSECTOR	\$299.00
Griffin, Robert	08-09-2006	SIGN ART ETC	\$180.00
Griffin, Robert	08-09-2006	WKI*CCH INC PAYLINKS	\$189.54
Griffin, Robert	08-21-2006	INTERLAND INC/WEB.COM	\$9.00
Griffin, Robert	08-23-2006	INTERLAND INC/WEB.COM	\$199.95
Griffin, Robert	08-28-2006	DREAMSTIME.COM	\$49.99
Griffin, Robert	08-28-2006	EDUCATION DEVELOPM	\$280.00
Griffin, Robert	09-08-2006	ATLANTIC DATA STORAGE	\$140.00
Griffin, Robert	09-07-2006	AV-CABLES.NET	\$500.39
Griffin, Robert	09-18-2006	NATIONAL SAFETY COUNCIL	\$525.00
Griffin, Robert	09-18-2006	GODADDY.COM	\$36.88
Griffin, Robert	09-18-2006	SFI*PHOTOSBYSHUTTERFLY	\$202.89
Griffin, Robert	09-22-2006	INTERLAND INC/WEB.COM	\$199.95
Griffin, Robert	09-25-2006	OFFICE DEPOT #1214	\$901.95
Griffin, Robert	09-25-2006	CIVIC RESEARCH INSTITUTE	\$169.95
Griffin, Robert	09-27-2006	SFI*PHOTOSBYSHUTTERFLY	\$36.98
Griffin, Robert	09-29-2006	CSI*CRESTLINE CO INC	\$2,938.44
Griffin, Robert	10-04-2006	OFFICE DEPOT #1214	\$669.74
Griffin, Robert	10-05-2006	ATLANTIC DATA STORAGE	\$140.25
Griffin, Robert	10-06-2006	4 IMPRINT	(\$97.30)
Griffin, Robert	10-19-2006	OFFICE DEPOT #1214	(\$9.89)
Griffin, Robert	10-19-2006	REGONLINE COM	\$805.50
Griffin, Robert	10-19-2006	CUSTOM SIGNS TODAY	\$420.79
Griffin, Robert	10-20-2006	PEER 1 DEDICATED HOSTING	\$111.00
Griffin, Robert	10-23-2006	HP DIRECT-PUBLICSECTOR	\$422.00
Griffin, Robert	10-23-2006	PEER 1 DEDICATED HOSTING	\$199.95
Griffin, Robert	11-17-2006	ATLANTA DATA STORAGE LLC	\$143.00
Griffin, Robert	12-05-2006	PEER 1 DEDICATED HOSTING	\$66.00
Griffin, Robert	11-28-2006	CADCA	\$50.00
Griffin, Robert	12-06-2006	BURRELLESLUCE	\$372.10
Griffin, Robert	12-06-2006	VIDEO ATLANTA	\$55.00
Griffin, Robert	12-14-2006	BLUE RIDGE WATERS	\$97.40
Griffin, Robert	12-15-2006	HP DIRECT-PUBLICSECTOR	\$454.00
Griffin, Robert	12-18-2006	ATLANTA DATA STORAGE LLC	\$140.25
Griffin, Robert	12-19-2006	PEER 1 DEDICATED HOSTING	\$84.00
Griffin, Robert	12-20-2006	REGONLINE COM	\$1,251.00
Griffin, Robert	12-22-2006	PEER 1 DEDICATED HOSTING	\$199.95
Griffin, Robert	12-26-2006	CADCA	\$490.00
Griffin, Robert	01-05-2007	HP DIRECT-PUBLICSECTOR	\$403.00
Griffin, Robert	01-08-2007	BURRELLESLUCE	\$535.02
Griffin, Robert	01-12-2007	SPRINT-STORE #0093	\$97.19
Griffin, Robert	01-12-2007	GA HISPANIC CHAMBER OF C	\$75.00
Griffin, Robert	01-18-2007	123 REGISTRATION.COM	\$74.75
Griffin, Robert	01-23-2007	PEER 1 DEDICATED HOSTING	\$199.95
Griffin, Robert	02-02-2007	BLUE RIDGE WATERS	\$53.05
Griffin, Robert	02-07-2007	ICLE	\$160.00
Griffin, Robert	02-09-2007	BURRELLESLUCE	\$887.62
Griffin, Robert	02-15-2007	OFFICE DEPOT #2140	\$95.18
Griffin, Robert	02-16-2007	4 IMPRINT	\$2,640.09

Cardholder	Post Date	Merchant	Transaction Amount
Griffin, Robert	03-02-2007	BLUE RIDGE WATERS	\$91.65
Griffin, Robert	03-05-2007	PAYPAL *GEORGIA COLL	\$145.00
Griffin, Robert	03-14-2007	ASSOCIATION OF GOVERNMENT	\$775.00
Griffin, Robert	03-19-2007	AGEOTRAV-MONUMENTAL MTGS	\$199.00
Griffin, Robert	03-23-2007	DELL MARKETING L.P.	\$80.54
Griffin, Robert	03-22-2007	SEMINARS NATL PADGETT	\$253.90
Griffin, Robert	03-29-2007	HP DIRECT-PUBLICSECTOR	\$274.00
Griffin, Robert	04-02-2007	XEROX CORPORATION #1A	\$292.56
Griffin, Robert	04-02-2007	BLUE RIDGE WATERS	\$59.20
Griffin, Robert	04-04-2007	WIZARD ELECTRONICS INC	\$118.00
Griffin, Robert	04-05-2007	HP DIRECT-PUBLICSECTOR	\$454.00
Griffin, Robert	04-09-2007	BURRELLESLUCE	\$791.50
Griffin, Robert	04-23-2007	PEER 1 DEDICATED HOSTING	\$199.95
Griffin, Robert	05-07-2007	ASSOCIATION OF GOVERNMENT	\$95.00
Griffin, Robert	05-11-2007	THE PRINTING CENTER	\$376.66
Griffin, Robert	05-11-2007	THE PRINTING CENTER	\$418.15
Griffin, Robert	05-17-2007	SFI*PHOTOSBYSHUTTERFLY	\$31.91
Griffin, Robert	06-06-2007	ATL JOURNAL *NEWSPAPER	\$229.90
Griffin, Robert	06-06-2007	T & F INFORMA ECOM	\$136.00
Griffin, Robert	06-07-2007	Amazon.Com	\$128.76
Griffin, Robert	06-11-2007	BURRELLESLUCE	\$478.14
Griffin, Robert	06-12-2007	GOVERNORS HWY SFTY ASSOC	\$375.00
Griffin, Robert	06-21-2007	NATIONAL SAFETY COUNCIL	\$600.00
Hardy, Tammi	07-03-2006	DELL MARKETING L.P.	\$329.36
Hardy, Tammi	07-10-2006	CIRCUIT CITY CORP SALES	\$1,450.33
Hardy, Tammi	07-11-2006	KEITH PLAQUES	\$18.00
Hardy, Tammi	07-24-2006	OFFICE DEPOT #1214	(\$535.92)
Hardy, Tammi	07-24-2006	OFFICE DEPOT #1214	\$89.24
Hardy, Tammi	08-03-2006	OFFICE DEPOT #1214	\$92.37
Hardy, Tammi	08-21-2006	SHEFFIELDS TROPHIES	\$994.75
Hardy, Tammi	08-30-2006	AUGUSTA DODGE INC.	\$424.37
Hardy, Tammi	09-07-2006	SHEFFIELDS TROPHIES	\$997.50
Hardy, Tammi	09-08-2006	SHEFFIELDS TROPHIES	\$996.50
Hardy, Tammi	09-21-2006	SHEFFIELDS TROPHIES	\$985.00
Hardy, Tammi	09-29-2006	SHEFFIELDS TROPHIES	\$2,280.00
Hardy, Tammi	10-26-2006	ETRAILER.COM	\$125.42
Hardy, Tammi	11-24-2006	OFFICE DEPOT #1214	\$76.98
Hardy, Tammi	04-27-2007	VITAL SIGNS-CUSTOM GRAPHI	\$133.50
Hardy, Tammi	05-11-2007	LOVEZZOLAS PIZZA	\$469.45
Hardy, Tammi	05-11-2007	SPANKYS WESTSIDE	\$878.12
		Total	\$74,245.15

**Implications:** (1) Lack of internal controls, (2) possibility of misappropriation of card information, (3) exposure to possible fraudulent transactions, and (4) intentional disregard of State policy.

**Level of Risk:** **High** due to dollar volume of \$74,245.15 and number of transactions (250)

**Reference:** State Purchasing Card Contract Guide

**Recommendation:**

Cardholders are ultimately responsible for all activity on the card issued to them. Only the employee whose name is shown on the card are permitted to initiate transactions with merchants. If another employee needs supplies, materials, or allowed services, then that employee must go through established channels to obtain approval for the purchase. The employee must then contact the cardholder to initiate the transaction and to arrange for payment to be made with the purchasing card. Non-cardholders must not place orders and arrange for later payment with the purchasing card as that obligates the Agency for payment without proper authorization.

The Agency must reevaluate who is issued a purchasing card to determine if others within the Agency need a card in order to perform their job responsibilities or to assist other personnel.

**Action Plans (see Action Plan Summary for target completion dates):**

1. Conduct a thorough evaluation of spending limits to include:
  - a. Evaluate current staff and job requirements to determine who must have a card based on job responsibilities and need.
  - b. Determine the spending limits for cardholders based on actual usage, job responsibilities, and the types of purchases that have been made.
2. Revise the Agency Purchasing Card Policies and Procedures Manual to specifically prohibit non-cardholders from using the cards and from initiating purchases to be paid for with the card at a later date.
3. Incorporate standards for the requisition procedure into the Agency Purchasing Card Policies and Procedures Manual.

**Response: The Governors' Office of Highway Safety recognizes the importance of this procedure and has now released the cards to each cardholder requiring them to be responsible for the cards. Prior to this; the control provided GOHS finance personnel to maintain the cards in a locked file room and would only issue the cards to cover approved requisitions not associating card names with transactions. We understand that having adequate separation of duties is crucial in mitigating risks associated with fraud, waste and abuse. We note that 100% tests did not indicate any fraud waste or abuse when noting the controls associated with our prior processes were not current. This process was changed immediately when recognized in the process improvement review. This process became effective September 1<sup>st</sup>, 2008.**

**The Process Improvement Audit Team recognizes management's attention to this weakness in the area of internal controls. This kind of separation protects both the Agency and the cardholders from any accusation of impropriety. Management is encouraged to strengthen this change by completing the action plan to ensure that the right employees have the cards in order to maximize efficiency and to ensure that all cardholders have received the needed training in proper use of the card.**

**This finding will remain in the report at the stated risk level.**

### 3. Split Transactions

The Process Improvement Team found two occurrences where the Agency split a purchase over the \$5,000 Single Transaction Limit between two transactions on one or more cards in order to circumvent the bid requirements and/or the \$5,000 Single Transaction Limit.

#### 1 – Crestline Custom Imprinted Products

In August 2006, the Governor's Office of Highway Safety obtained three informal bids from vendors for promotional items for a safe driving conference for youth and young adults. Crestline Custom Imprinted Products (Crestline) received the award for a total cost of \$6,243.72.

Crestline issued invoice #H125376100019 for \$6,243.72 on October 14, 2006, for the merchandise, which had shipped on October 6, 2006, according to the invoice. Bank of America posted two charges to the cards issued to two different cardholders for \$3,509.41 and \$2,938.44 on September 27, 2006, and September 28, 2006, respectively. Crestline later issued a credit to one of the cards for \$204.13, making the total purchase from Crestline \$6,243.72, an amount greater than the Single Transaction Limit for a single card.

It is also noted that the merchant posted the original transactions to the accounts prior to shipment, a violation of VISA® merchant regulations. Merchant regulations state that merchants cannot deposit transactions until goods or services have been delivered, except in the case of a down payment. In that event, the balance cannot be charged until delivery is made. For purposes of the Single Transaction Limit on purchasing cards, the combined total of the down payment and the balance cannot exceed the cardholder's Single Transaction Limit.

#### 2 – Sheffield's Trophies

On August 1-2, 2006, an employee placed four orders for promotional shirts and caps with Sheffield's Trophies in Jesup, Georgia. The merchant issued four invoices, numbered consecutively, as shown below:

Invoice #3080	08-01-06	\$997.50	Requisition #1165
Invoice #3081	08-01-06	\$996.50	Requisition #1184
Invoice #3082	08-01-06	\$985.00	Requisition #1183
Invoice #3083	08-02-06	<u>\$2,280.00</u>	Requisition #1247 – 1249
Total		\$5,259.00	

In this case, it appears that the employee and the cardholder split a transaction in order to avoid both the bid requirement and the Single Transaction Limit.

**Implications:** (1) Intentional disregard for State policy and (2) potential for perception of unfair purchasing practices.

**Level of Risk:** **Medium** due to dollar volume of \$11,502.72 and number of individual transactions contributing (7)

**Reference:** State Purchasing Card Contract Guide

**Recommendation:**

Although Agency management has discretion in assigning limits to all cards, the State imposes a maximum Single Transaction Limit of less than \$5,000 on any card. The Agency must use a purchase order to pay for single transactions \$5,000 and over.

With the issuance of the new State Purchasing Card Policy, effective January 16, 2008, Agencies can request authorization to have Single Transaction Limits greater than or equal to \$5,000 for cardholders when the purchases will be from Statewide or Agency Contracts. This type of approval must be renewed annually. Agencies can also request a one-time waiver for a transaction greater than or equal to \$5,000. All exceptions to statewide policy must have prior written approval from the State Purchasing Card Program Manager.

**Action Plans (see Action Plan Summary for target completion dates):**

1. Strengthen the Agency Purchasing Card Policies and Procedures Manual to specifically prohibit splitting transactions to avoid the Single Transaction.
2. Meet with all employees to explain State bid requirements and the Single Transaction Limits imposed on cards.

**Response: The Governors' Office of Highway Safety recognizes the importance of securing bids for all amounts greater than \$5,000.00 and will conduct staff training through DOAS to properly utilize the processes available to secure the lowest prices available in the marketplace. All orders will be internally audited to ensure compliance.**

**The Process Improvement Audit Team encourages the Agency in this training effort and is willing to provide assistance if needed.**

**This finding will remain in the report at the stated risk level.**

**4. Inadequate Invoice Information**

The State Purchasing Card Contract Guide and the Georgia Vendor Manual require all invoices to have line item descriptions and line item prices. There were 33 transactions, or 7% of the total number of transactions, that did not have adequate descriptions of what was purchased.

The transactions in the following table contributed to this finding:

Cardholder	Post Date	Merchant	Transaction Amount
Giles, Clareon	02-27-2007	XBS/DEPT OF ADMIN SERVICE	\$190.65
Giles, Clareon	03-29-2007	PITNEY BOWES SUPPLY	\$67.97
Giles, Clareon	05-14-2007	OFFICE DEPOT #1214	\$99.96
Griffin, Robert	11-30-2006	ASSOCIATION OF GOVERNMENT	\$79.00
Griffin, Robert	12-06-2006	BURRELLESLUCE	\$372.78
Griffin, Robert	12-26-2006	CADCA	\$490.00
Griffin, Robert	02-07-2007	ICLE	\$160.00
Griffin, Robert	03-02-2007	BLUE RIDGE WATERS	\$91.65
Griffin, Robert	03-02-2007	PEER 1 DEDICATED HOSTING	\$108.00
Griffin, Robert	03-22-2007	SEMINARS NATL PADGETT	\$253.90
Griffin, Robert	04-20-2007	SEMINARS NATL PADGETT	(\$54.90)

Cardholder	Post Date	Merchant	Transaction Amount
Griffin, Robert	06-06-2007	ATL JOURNAL *NEWSPAPER	\$229.90
Hardy, Tammi	07-21-2006	INTL ASSN OF CHIEF OF POL	\$275.00
Hardy, Tammi	07-21-2006	INTL ASSN OF CHIEF OF POL	\$275.00
Hardy, Tammi	07-21-2006	INTL ASSN OF CHIEF OF POL	\$275.00
Hardy, Tammi	07-21-2006	INTL ASSN OF CHIEF OF POL	\$275.00
Hardy, Tammi	07-26-2006	INTL ASSN OF CHIEF OF POL	\$100.00
Hardy, Tammi	11-13-2006	SHEFFIELDS TROPHIES	\$54.50
Hardy, Tammi	11-16-2006	EREPUBLIC INC	\$125.00
Hardy, Tammi	11-29-2006	INT'L ASSN OF CHI01 OF 01	\$100.00
Hardy, Tammi	11-29-2006	NATIONAL SHERIFFS ASSOCIA	\$85.00
Hardy, Tammi	11-29-2006	NATIONAL SHERIFFS ASSOCIA	\$85.00
Hardy, Tammi	11-30-2006	WILLIAMSON BROS BBQ CATER	\$578.02
Hardy, Tammi	12-08-2006	LIFESAVERS CONFERENCE 3	\$200.00
Hardy, Tammi	12-08-2006	LIFESAVERS CONFERENCE 3	\$200.00
Hardy, Tammi	12-11-2006	GEORGIA ASSOCIATION OF	\$100.00
Hardy, Tammi	12-20-2006	SAVANNAH INTERNATIONAL TR	\$312.00
Hardy, Tammi	04-06-2007	KRISPY KREME SAVANNA 0085	\$79.85
Hardy, Tammi	05-11-2007	LOVEZZOLAS PIZZA	\$469.45
Hardy, Tammi	05-11-2007	SPANKYS WESTSIDE	\$878.12
Hardy, Tammi	06-05-2007	GEORGIA CORRECTIO01 OF 01	\$1,604.86
Hardy, Tammi	06-11-2007	STICKY FINGERS #16	\$480.97
Hardy, Tammi	06-13-2007	LOVEZZOLAS PIZZA	\$276.04
		Total	\$8,917.72

**Implications:** (1) Fraudulent use could go undetected and (2) Agency does not have adequate documentation of what was purchased and the purpose.

**Level of Risk:** **High** due to the dollar volume of \$8,917.72 and number of transactions (33)

**References** State Purchasing Card Contract Guide  
Georgia Vendor Manual Chapter 8, Section 8.2

**Recommendation:**

The Georgia Vendor Manual describes the information that invoices must reflect. The information applicable to purchasing card invoices or receipts is vendor information; date of the purchase; line item descriptions, quantities, and prices; and total amount of the charge. In the case of transactions for professional membership dues, the invoice must reflect the nature of the membership and the employee for whom the membership was paid. Subscriptions to magazines and newspapers must be supported by a subscription order form or renewal form showing the length of the subscription. Adequate documentation for printing jobs includes a description and/or copy of what was printed or, as in the case of newspaper advertisements, a copy of the advertisement.

Management must include detailed explanations of what is considered adequate documentation in the Agency policy. Cardholders and their supervisors must receive training in what is considered adequate documentation.



**Action Plans** ([see Action Plan Summary for target completion dates](#)):

1. Incorporate guidelines concerning appropriate documentation for transactions into the Agency Purchasing Card Policies and Procedures Manual using information in the current State Purchasing Card Policy as a reference.
2. Enroll the card program administrator, supervisors, and cardholders in the Introduction to Purchasing Card Principles course offered by the Professional Development unit within the DOAS State Purchasing Division. Schedule information is available on the State Purchasing Division web site at [statepurchasing.doas.ga.gov](http://statepurchasing.doas.ga.gov). [Cardholders Helen Bagley and Clareon Giles attended the Introduction to Purchasing Card Principles class in February 2008 and March 2008, respectively. This satisfies part of the requirement of this action plan.]

**Response: The Governors' Office of Highway Safety recognizes the importance of documenting expenditures; additional features will be added to our purchase requisitions to ensure these processes are evaluated at every level of the transaction. A check sheet was added to the back of our pre-numbered forms indicating the documentation required at the transaction level. This process was made effective March 1<sup>st</sup>, 2009.**

**The Process Improvement Audit Team appreciates management's attention to documentation requirements. The Agency is still encouraged to send all cardholders to the training provided by the State Purchasing Division.**

**This finding will remain in the report at the stated risk level.**

## **5. Payment of Sales Tax**

Review of the receipts and invoices showed that nine transactions totaling \$1,727.05 had tax charged in the amount of \$94.57, as shown on the table below. The Agency did not receive, or document attempts to receive, credits for these amounts.

Cardholder	Post Date	Merchant	Transaction Amount	Tax Amount
Giles, Clareon	11-06-2006	DUNKIN #310092 Q35	\$25.90	\$1.92
Giles, Clareon	11-03-2006	DUNKIN #310092 Q35	\$25.90	\$1.92
Griffin, Robert	01-12-2007	SPRINT-STORE #0093	\$97.19	\$4.50
Griffin, Robert	08-09-2006	WKI*CCH INC PAYLINKS	\$189.54	\$0.52
Hardy, Tammi	04-06-2007	KRISPY KREME SAVANNA 0085	\$79.85	\$5.22
Hardy, Tammi	06-27-2007	SPANKYS WESTSIDE	\$722.25	\$47.25
Hardy, Tammi	07-13-2006	WALMART.COM *INTERNET O	\$3.20	\$0.26
Hardy, Tammi	08-01-2006	WALMART.COM *INTERNET O	\$5.20	\$0.26
Hardy, Tammi	11-30-2006	WILLIAMSON BROS BBQ CATER	\$578.02	\$32.72
		Totals	\$1,727.05	\$94.57

**Implications:** (1) The Agency has overpaid for merchandise and (2) lack of compliance with State law.

**Level of Risk:** **High** due to dollar volume paid of \$94.57 and number of transactions (9)

**Reference** O.C.G.A. § 48-8-3(1)  
State Purchasing Card Contract Guide

**Recommendations:**

O.C.G.A. § 48-8-3(1) exempts agencies of the State of Georgia from sales and use taxes when payment is made directly to the merchant with State funds. Furthermore, the internal policy for the Governor's Office of Highway Safety require cardholders to inform merchants of the tax-exempt nature of the transactions and to ensure that taxes are not charged.

Cardholders must print copies of the Department of Revenue's Form ST-5 to provide to merchants who request documentation for their files. Cardholders, supervisors, and reconciliation personnel must review all documentation to ensure that the merchant did not charge tax. If the merchant charged tax, then the cardholder must contact the merchant to receive immediate credit.

**Action Plans (see Action Plan Summary for target completion dates):**

1. Management must address the topic of sales tax with all personnel
2. Copies of the Department of Revenue Sales and Use Tax Exemption form, Form ST-5, must be made available to all cardholders.
3. Incorporate into Agency policy management's responsibility for regular review of sales tax charged to ensure that cardholders request and receive timely credit for any amounts charged.

**Response: The Governors' Office of Highway Safety recognizes the importance of using the Department of Revenue Sales and Use Tax Exemption form, Form ST-5. This process will be discussed with all personnel during our monthly meeting beginning March 2009. We understand that the \$94.57 represents an overpayment. We will extend every effort to assure this does not happen through the finance department review of all orders.**

**The Process Improvement Audit Team appreciates management's efforts in this area and future efforts to ensure that budget dollars are not spent this way.**

**This finding will remain in the report at the stated risk level.**

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## **Recommendations Not Related to Findings**

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Works Payment Manager, the card administration application provided by Bank of America, provides a number of data analysis reports to aid Agencies with proper management of their card programs. It is recommended that the Governor's Office of Highway Safety run the Declined Transactions report at least monthly in order to review transactions that the Bank declined.

The report will reflect attempted charges against invalid or prohibited Merchant Category Codes, indicating that cardholders attempted to make purchases that were not allowed or were restricted.

Common reasons for declines of transactions include cases where the cardholder does not have a large enough credit limit for the transaction or where merchants attempt to run recurring transactions against a closed account. Regular review of this report can enable management to review actual spending patterns against cardholder profiles to determine if Single Transaction and cycle limits are appropriate for job responsibilities. In the case of transactions against closed accounts, management could notify the merchant of the new account number to use in order to prevent disruptions of delivery of goods or services.

## Action Plan Summary

### Training Requirements

For appropriate program administration personnel, approving officials, and cardholders.

Resulting from Finding	Purpose	Conducted By	Completion Date
<b>Internal Controls</b>			
Out-of-Date Purchasing Card Policy	Ensure cardholders and their supervisors are familiar with State and Agency policies	GOHS management will meet with cardholders	09-01-09
<b>On-Site Program</b>			
Inadequate Separation of Duties	Ensure all card administrator, supervisors, and cardholders are aware of individual responsibilities	All program personnel must attend the Introduction to Purchasing Card Principles class	09-01-09
Split Transactions	Review bid posting requirements with all employees	GOHS management will meet with employees	09-01-09
Inadequate Invoice Information	Ensure program personnel are aware of appropriate documentation for transactions	All program personnel must attend the Introduction to Purchasing Card Principles class	09-01-09
Payment of Sales Tax	Ensure cardholders and supervisors are aware of requirements	Management will address the topic of sales tax exemption with all employees	09-01-09

## Other Requirements

For appropriate program administration personnel, approving officials, and cardholders.

Resulting from Finding	Requirement	Purpose	Completion Date
<b>Internal Controls</b>			
Out-of-Date Purchasing Card Policy	Update Purchasing Card Policies and Procedures Manual to ensure separation of duties	Strengthen internal controls; comply with State Purchasing Card Policy	09-01-09
	Describe specific responsibilities for all card program personnel	Provide guidance to all personnel on individual responsibilities	09-01-09
	Ensure lists of permitted and prohibited expenses comply with current State Purchasing Card Policy	Provide guidance to all personnel on allowed and prohibited purchases with the purchasing card	09-01-09
	Update policy and procedures to define the roles and responsibilities related to Works Payment Manager	Provides guidance to all employees on card administration and transaction approval requirements	09-01-09
	Submit copy of new policy to Process Improvement for review	Allow Process Improvement to provide feedback	09-01-09
	Process Improvement to review updated policy	Provide feedback in order to ensure that new policy complies with current State policy	09-01-09
Cardholder Agreements Not on File	Determine filing procedures and establish permanent files for agreements	Provides the Agency with documentation that cardholders understand responsibilities	09-01-09
	Incorporate into Agency policy the requirement for cardholders and supervisors to sign cardholder agreements prior to receipt of card.	Strengthens internal controls	09-01-09

Resulting from Finding	Requirement	Purpose	Completion Date
<b>On-Site Program</b>			
Inadequate Separation of Duties	Update Agency policy to state that only cardholders are allowed to make transactions and that they must sign or initial internal requisitions	Strengthen internal controls by providing for separation of duties	09-01-09
	Update Agency policy to require cardholders and their supervisors to sign the monthly billing statements	Strengthen internal controls by providing for separation of duties	09-01-09
	Update Agency policy to require Director of Finance and Budget to sign composite monthly billing statement indicating review and approval	Strengthen internal controls by providing for separation of duties	09-01-09
	Issue card to someone other than Finance Director	Strengthen internal controls by providing for separation of duties	09-01-09
Unauthorized Employee Use of Purchasing Cards	Evaluate current staff and job requirements to determine who must have a card	Determine if appropriate personnel have cards	09-01-09
	Determine cardholder spending limits based on actual usage, job responsibilities, and types of purchases	Strengthen internal controls; ensure spending limits are appropriate and adequate	09-01-09
	Update Agency policy to specifically prohibit non-cardholders from using cards and from obligating the Agency without authorization	Strengthen internal controls; comply with State Purchasing Card Policy	09-01-09
	Incorporate the requisition procedure into Agency policy	Strengthen internal controls	09-01-09
Split Transactions	Update the Agency policy to specifically prohibit splitting transactions to avoid the bid process or to circumvent Single Transaction Limits	Strengthen internal controls; comply with State requirements	09-01-09
Inadequate Invoice Information	Update Agency policy to reflect specific guidelines on adequacy of documentation	Provide guidance to program personnel; strengthen internal controls	09-01-09

Resulting from Finding	Requirement	Purpose	Completion Date
Payment of Sales Tax	Make copies of DOR Form ST-5 available to all cardholders	Ensure that Agency does not pay sales tax	09-01-09
Payment of Sales Tax	Incorporate management review and follow-up of sales tax charges into Agency policy	Ensure that Agency receives credit for sales tax when charged	09-01-09